

Message Text

PAGE 01 STATE 113792
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TO AMEMBASSY VIENNA IMMEDIATE
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C O N F I D E N T I A L STATE 113792

STADIS/////////////////////////////////
EXDIS

E.O. 11652: GDS

TAGS: EGEN, UNCTAD

SUBJECT: DRAFT ACTION MEMORANDUM ON THE COMMON FUND

FOR ASSISTANT SECRETARY MAYNES AND AMBASSADOR VANSSEN HEUVEL
ONLY FROM DEP ASST SEC FRANK- REPLY THIS CHANNEL FOR IO ONLY

1. BELOW IS DRAFT OF MEMO AS IT PRESENTLY STANDS. IT IS
NOW UNDERGOING SOME EDITORIAL REVISIONS TO MAKE IT SHORTER
AND TIGHTER. TONY LAKE IS PRESENTLY REVIEWING IT AND IS
LIKELY TO JOIN US AS A CO-DRAFTER IN SENDING IT TO THE
SECRETARY. YOUR COMMENTS WOULD BE MOST WELCOME. WE THINK
THE MEMO WOULD BE CONSIDERABLY STRENGTHENED IF WE COULD IN-
CLUDE A PARAGRAPH CONTAINING AMBASSADOR VANDEN HEUVEL'S
PERSPECTIVE ON THE ISSUE AS VIEWED IN GENEVA. WOULD
APPRECIATE COMMENTS BY OPENING OF BUSINESS, MAY 5.

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PAGE 02 STATE 113792

2. BEGIN TEXT:

ISSUE FOR DECISION: AT YOUR STAFF MEETING LAST THURSDAY
MORNING, YOU EXPRESSED A DESIRE FOR THE U.S. TO HELP
RESOLVE THE DIFFERENCES BETWEEN THE GROUP OF 77 AND THE
DEVELOPED COUNTRIES ON THE COMMON FUND ISSUE. THIS MEMO-
RANDUM EXPLORES HOW WE MIGHT ACCOMPLISH THIS OBJECTIVE.

ESSENTIAL FACTORS: SINCE THE SUSPENSION OF THE COMMON FUND

NEGOTIATIONS LAST DECEMBER, VARIOUS BILATERAL AND SMALL UNDER THE AEGIS OF UNCTAD SECRETARY GENERAL COREA -- TO SEEK A BASIS FOR RESUMING THE NEGOTIATIONS. THUS FAR, DIFFERENCES REMAIN BETWEEN GROUP B (OECD COUNTRIES) AND THE G-77 WHO INSIST THAT THE FUND MUST CONTAIN (1) SOME DIRECT GOVERNMENT CONTRIBUTIONS FOR FUND FINANCING OF BUFFER STOCKS, AND (2) A SECOND WINDOW TO FINANCE NON-PRICE STABILIZATION OR "OTHER MEASURES" SUCH AS DIVERSIFICATION, RESEARCH AND DEVELOPMENT, AND MARKET PROMOTION.

THE U.S. TAKES THE POSITION THAT THE FUND SHOULD FINANCE BUFFER STOCKS BY POOLING THE FINANCIAL RESOURCES OF PARTICIPATING INTERNATIONAL COMMODITY AGREEMENTS (ICAs), NOT BY DIRECT CONTRIBUTIONS. THE U.S. ALSO ARGUES THAT THE FUND SHOULD NOT FINANCE OTHER MEASURES. EXISTING INTERNATIONAL FINANCIAL INSTITUTIONS AND COMMODITY ORGANIZATIONS ARE ALREADY EFFECTIVELY FINANCING SUCH MEASURES AND COULD EXPAND OPERATIONS TO FILL ANY GAPS THAT MIGHT EXIST.

THERE ARE DIFFERENCES WITHIN THE U.S. GOVERNMENT, HOWEVER, OVER WHETHER AND WHEN WE SHOULD BE PREPARED TO MODIFY THE U.S. POSITION. FOR EXAMPLE, TREASURY SECRETARY BLUMENTHAL
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PAGE 03 STATE 113792

BELIEVES THAT WE SHOULD NOT CONSIDER MAKING ANY MODIFICATIONS IN THE U.S. POSITION AT THIS TIME. THE DIFFERENCES IN VIEW ARE BASED NOT SO MUCH ON TECHNICAL ISSUES AS ON POLITICAL JUDGMENTS -- ABOUT THE IMPORTANCE OF THE COMMON FUND ISSUE IN OVERALL NORTH/SOUTH RELATIONS AND THE WILLINGNESS OF CONGRESS TO APPROPRIATE FUNDS FOR A COMMON FUND. LARGE AMOUNTS OF MONEY ARE NOT INVOLVED IN THIS QUESTION SINCE EVEN THE G-77 VERSION OF A COMMON FUND ENVISIONS AN INITIAL U.S. CONTRIBUTION OF ONLY DOLS 125 TO DOLS 150 MILLION -- WHICH IS NOT EXCESSIVE IN RELATION TO OUR TOTAL AID BUDGET OR TO WHAT WE MIGHT CONTRIBUTE TO BUFFER STOCKS OF CERTAIN INTERNATIONAL COMMODITY AGREEMENTS.

YOUR INVOLVEMENT AND THAT OF DEPUTY SECRETARY CHRISTOPHER ON THIS ISSUE CAN BE CRITICAL IN DEMONSTRATING TO OTHER COUNTRIES AND TO CONGRESS THE POLITICAL IMPORTANCE THAT WE ATTACH TO A SUCCESSFUL NEGOTIATION OF A COMMON FUND. INDEED YOUR LIMITED INVOLVEMENT AT THE RIGHT TIME COULD GAIN US POLITICAL CREDIBILITY THAT MIGHT MAKE OTHER COUNTRIES MORE WILLING TO MOVE SUBSTANTIALLY TOWARD U.S. POSITIONS.

AT THE COMMON FUND NEGOTIATING CONFERENCE LAST NOVEMBER, THE GROUP B COUNTRIES PUT FORWARD A PROPOSAL TO ESTABLISH A COMMON FUND THAT WOULD FACILITATE THE FINANCING OF

BUFFER STOCKS BY POOLING THE FINANCIAL RESOURCES OF
AUTONOMOUS INTERNATIONAL COMMODITY AGREEMENTS (ICAS).
OTHER OECD COUNTRIES, WITH THE PROBABLE EXCEPTION OF THE
FRG, NOW SEEM TO BE PREPARED TO INTRODUCE MORE FLEXI-
BILITY INTO THE GROUP B POSITION BY BEING PREPARED TO
CONSIDER A RESTRICTED AMOUNT OF DIRECTLY ASSESSED GOVERN-
MENT CONTRIBUTIONS OR LOAN GUARANTEES FOR THE FIRST
WINDOW (BUFFER STOCK OPERATIONS) AND A LIMITED SECOND
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PAGE 04 STATE 113792

WINDOW (FOR "OTHER MEASURES") BASED ON VOLUNTARY CONTRI-
BUTIONS.

WE FEEL THAT THE TIME HAS COME FOR THE U.S. TO DEVELOP A
MORE FLEXIBLE POSITION ON THESE QUESTIONS AS WELL, BASED
ON ECONOMIC, AS WELL AS POLITICAL, GROUNDS. THE MODIFICA-
TIONS WHICH WE ARE PROPOSING WOULD STRENGTHEN THE CAPITAL
STRUCTURE OF THE COMMON FUND. THEY WOULD INCREASE THE
FUND'S ABILITY TO FACILITATE FINANCING OF BUFFER STOCKS
AND HELP HOLD COMMODITY PRICES AT MORE STABLE LEVELS,
REDUCING THE IMPETUS TO INFLATION THAT RESULTS FROM WIDE
SWINGS IN COMMODITY PRICES. MINIMIZING WIDESPREAD DROPS,
AS WELL AS RISES, IN COMMODITY PRICES WOULD ALSO ASSURE
A MORE PREDICTABLE AND STEADY FLOW OF INVESTMENT INTO
COMMODITY PRODUCTION, WHICH WOULD HAVE LONG-RUN ANTI-
INFLATIONARY BENEFITS BY REDUCING THE LIKELIHOOD OF SHORT-
FALLS IN FUTURE SUPPLIES. ALTHOUGH THERE ARE SOME ASPECTS
OF THE COMMON FUND THAT WILL BE TROUBLESOME TO OUR CON-
GRESS, WE THINK THAT CONGRESS WILL SUPPORT A COMMON FUND
INSTITUTION DESIGNED TO REDUCE INFLATIONARY TRENDS AND
PROVIDE MUTUAL BENEFITS TO BOTH PRODUCING AND CONSUMING
COUNTRIES, NOT ANOTHER FOREIGN AID INSTITUTION. MORE
FLEXIBILITY WILL PLACE OURSELVES IN THE CENTER OF GROUP B,
IMPROVE OUR CREDIBILITY WITH THE DEVELOPING COUNTRIES,
AND BETTER ENABLE US TO RETAIN CONTROL OF THE NEGOTIATING
PROCESS.

BILATERAL AND SMALL MULTILATERAL CONSULTATIONS ON THE
COMMON FUND WILL PROBABLY INTENSIFY IN COMING WEEKS.
SECRETARY-GENERAL COREA OF UNCTAD HAS TAKEN THE LEAD IN
TRYING TO WORK OUT A COMPROMISE DEAL. IT IS NOT LIKELY,
HOWEVER, THAT COREA WILL BE ABLE TO WORK OUT ANY SOLUTION
ACCEPTABLE TO US.
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PAGE 05 STATE 113792

IT IS VERY DIFFICULT FOR THE GROUP OF 77 TO MAKE ANY
COMPROMISE MOVES ON ITS OWN, SINCE ITS POSITIONS ARE

ALWAYS THE PRODUCT OF CAREFULLY NEGOTIATED COMPROMISES AMONG LDCS WITH DIVERSE ECONOMIC INTERESTS AND INCOME LEVELS. IT THEREFORE APPEARS THAT THE BEST WAY TO MOVE THE G-77 TOWARD COMPROMISE IN THIS SITUATION IS TO SUGGEST INFORMALLY MODIFICATIONS IN THE GROUP B POSITION

AND THE G-77 POSITION THAT WE BELIEVE COULD FORM THE BASIS FOR A PRODUCTIVE FORMAL NEGOTIATING CONFERENCE. OUR WILLINGNESS TO SHOW FLEXIBILITY COULD STRENGTHEN THE HAND OF THE G-77 MODERATES IN PERSUADING THE RADICALS TO MODIFY THE G-77 POSITION.

THE TIMING OF SUCH SUGGESTIONS IS AN IMPORTANT TACTICAL QUESTION. WE THINK WE WOULD HAVE A BETTER CHANCE OF SECURING THE TYPE OF COMMON FUND WE DESIRE IF WE WERE TO WORK TOWARD A STATEMENT OF BASIC PRINCIPLES IN THE PRE-CONFERENCE CONSULTATIONS, RATHER THAN WAITING FOR THE ELEVENTH HOUR OF A RESUMED NEGOTIATING CONFERENCE. WITHOUT AN AGREEMENT ON BASIC PRINCIPLES PRIOR TO THE RESUMPTION OF A NEGOTIATING CONFERENCE THIS FALL, THE NEGOTIATION OF MOST OF THE VERY MANY TECHNICAL ISSUES CANNOT TAKE PLACE. THE CONFERENCE WILL BE STALEMATED AND POLITICIZED AS DELEGATES HAVE NO SERIOUS NEGOTIATING WORK TO DO.

UPCOMING EVENTS ALSO SUGGEST THE NEED FOR A DIPLOMATIC MOVE SOON. AN OAU SUMMIT, FOR EXAMPLE, WILL TAKE PLACE IN KHARTOUM IN LATE JUNE-EARLY JULY WHERE THE AFRICANS--WHICH HAVE THUS FAR BEEN THE MOST RADICAL AND INTRANSIGENT ON THIS ISSUE--ARE LIKELY TO STIFFEN THEIR RIGID POSITION IF THERE IS NO FORWARD MOVEMENT ON THE COMMON FUND BY THEN. THE JAMAICAN MINI-SUMMIT IN LATE MAY OR EARLY JUNE, AS WELL AS A MAY SUMMIT AMONG FRANCE AND FRANCOPHONE
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PAGE 06 STATE 113792

AFRICAN COUNTRIES, MAY PROVIDE A TEMPTATION TO OUR ALLIES TO FURTHER OUTFLANK US TO GAIN POINTS WITH THE LDCS. FURTHERMORE, IT WOULD BE HIGHLY DESIRABLE FOR US TO MAINTAIN A UNIFIED APPROACH AND MAKE A POSITIVE STATEMENT ON THE COMMON FUND AT THE JULY ECONOMIC SUMMIT IN BONN.

IN ORDER TO TAKE THE LEAD, WE SUGGEST THAT THE FOLLOWING STEPS SHOULD BE UNDERTAKEN.

FIRST, AND MOST IMPORTANT, THE UNITED STATES MUST CHANGE ITS POSITION, AT LEAST IN PRINCIPLE, ON SOME OF THE KEY ISSUES THAT PREVENT ANY PROGRESS IN THE NEGOTIATIONS. WE CANNOT TAKE THE LEAD SO LONG AS THE U.S. IS SEEN AS ONE OF THE TWO MOST INFLEXIBLE DEVELOPED COUNTRIES (ALONG WITH THE FRG). THE ANNEX TO THIS MEMO (TAB) CONTAINS SOME SUGGESTED MODIFICATIONS IN THE GROUP B POSITION WHICH WE

BELIEVE ARE POLITICALLY DESIRABLE AND ECONOMICALLY SOUND. THESE MODIFICATIONS ENTAIL A SMALL AMOUNT OF ASSESSED CONTRIBUTIONS TO THE FIRST WINDOW (FOR BUFFER STOCKS), A LIMITED SECOND WINDOW (FOR "OTHER MEASURES") FINANCED THROUGH VOLUNTARY CONTRIBUTIONS, AND A VOTING AND DECISION-MAKING STRUCTURE WHICH BALANCES DC AND LDC

THE G-77 AT AN APPROPRIATE TIME IN THE PRE-CONFERENCE CONSULTATIONS AS INDICATIVE OF A PACKAGE WHICH WE MIGHT BE ABLE TO ACCEPT. IT WOULD NOT BE FORMALLY TABLED AND COULD BE WITHDRAWN IF THE G-77 REJECT IT AND CONTINUE TO PUSH US INTO ACCEPTING A COMMON FUND ALONG THE LINES OF ITS ORIGINAL PROPOSAL.

IF YOU AGREE THAT WE SHOULD PROCEED IN THIS MANNER, WE MAY NEED YOUR HELP IN PERSUADING TREASURY SECRETARY BLUMENTHAL TO SUPPORT THIS APPROACH. SUBSEQUENTLY, A LETTER FROM YOU
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PAGE 07 STATE 113792

OR BILATERAL CONSULTATIONS WITH SOME OF YOUR FOREIGN MINISTER COLLEAGUES AMONG KEY DCS AND LDCS MAY HELP IN GETTING A CRITICAL MASS OF SUPPORT FOR A COMPROMISE EFFORT. -

SECOND, YOU AND DEPUTY SECRETARY CHRISTOPHER MIGHT ENGAGE IN SOME CONSULTATIONS WITH KEY CONGRESSIONAL PEOPLE ON THIS ISSUE, STRESSING THE POLITICAL IMPORTANCE OF THE ISSUE AND OUR DETERMINATION TO NEGOTIATE A COMMON FUND THAT MAKES ECONOMIC SENSE.

THE OPTIONS:

1. DEVELOP A STRATEGY FOR TAKING THE LEAD IN WORKING OUT A COMPROMISE AGREEMENT ON A COMMON FUND, ALONG THE LINES SUGGESTED IN THIS MEMORANDUM.

PROS:

--THIS WOULD BE REGARDED AS A POSITIVE STEP WHICH WOULD FACILITATE THE SUCCESS OF THE NEGOTIATIONS.

--IF THE NEGOTIATIONS ARE SUCCESSFUL, A COMMON FUND WOULD BE ESTABLISHED WHICH COULD PROVIDE REAL ECONOMIC BENEFITS TO COMMODITY PRODUCERS AND CONSUMERS, DEVELOPED AND DEVELOPING COUNTRIES.

--THE SUCCESSFUL CONCLUSION OF THE COMMON FUND NEGOTIATIONS WOULD REMOVE A POTENTIAL IRRITANT IN NORTH/SOUTH RELATIONS AND PAVE THE WAY FOR CONSTRUCTIVE RESULTS AT THE UNCTAD V CONFERENCE IN MAY 1979 (WHERE THE FINAL AGREEMENT COULD POSSIBLY BE SIGNED), AND AT THE 1980

SPECIAL SESSION OF THE UN GENERAL ASSEMBLY ON ECONOMIC
COOPERATION AND DEVELOPMENT.

CONS:
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PAGE 08 STATE 113792

--IF WE ARE UNSUCCESSFUL IN NEGOTIATING A COMPROMISE

AGREEMENT, WE COULD SUFFER A SET-BACK IN U.S. PRESTIGE
(ALTHOUGH WE WOULD AT LEAST BE GIVEN CREDIT FOR DOING OUR
UTMOST TO REACH AN AGREEMENT).

--IF WE INDICATE THAT OUR POSITION IS SUBJECT TO MODIFICA-
TION PRIOR TO THE RESUMED FORMAL NEGOTIATIONS, THE G-77
MIGHT BE MORE INFLEXIBLE IN HOPES OF EVENTUALLY GETTING
US TO ACCEPT THE MAJOR ELEMENTS OF ITS POSITION. WE
COULD ALSO BE "LEAP-FROGGED" BY OTHER OECD COUNTRIES
PRESENTING A POSITION MORE FORTHCOMING THAN OURS IN AN
EFFORT TO MAKE POLITICAL GAINS WITH THE GROUP OF 77.

--BY ASKING CONGRESS FOR AUTHORITY TO CONTRIBUTE TO A
COMMON FUND, WE COULD JEOPARDIZE OUR CHANCES OF GETTING
CONGRESS TO APPROPRIATE FUNDS FOR THE IFIS AND OTHER ELE-
MENTS OF OUR FOREIGN ASSISTANCE PROGRAM. (TREASURY'S
RELUCTANCE TO MODIFY OUR CURRENT COMMON FUND POSITION IS,
IN LARGE MEASURE, BASED ON THIS FEAR.)

2. HOLD TO OUR PRESENT POSITION OF INSISTING THAT THE
G-77 MUST BE PREPARED TO MODIFY ITS POSITION ON DIRECT
GOVERNMENT CONTRIBUTIONS AND A SECOND WINDOW FOR "OTHER
MEASURES" BEFORE MEANINGFUL PROGRESS CAN BE MADE IN THE
RESUMED NEGOTIATIONS. WE WOULD LET SYG COREA CONTINUE
TO TAKE THE LEAD IN SEEKING SOME BASIS FOR THE RESUMPTION
OF NEGOTIATIONS.

PROS:

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PAGE 09 STATE 113792

--IF WE STICK TO OUR PRESENT POSITION, THERE IS SOME
CHANCE THAT THE GROUP OF 77 MIGHT AGREE TO THE ESTABLISH-
MENT OF A COMMON FUND ALONG THE LINES THAT WE HAVE PRO-
POSED IN THE INTEREST OF OBTAINING U.S. PARTICIPATION
AND SUPPORT.

CONS:

--STRICT ADHERENCE TO OUR POSITION MAY RESULT IN FAILURE

TO ESTABLISH A COMMON FUND, WHICH WOULD HAVE A NEGATIVE IMPACT ON THE NORTH/SOUTH DIALOGUE AND MIGHT MAKE IT MORE DIFFICULT TO ACHIEVE COOPERATION WITH THE LDCS ON COMMODITY-RELATED ECONOMIC ISSUES.

--IF WE FAIL TO TAKE THE LEAD NOW, THE G-77 AND THE UNCTAD SECRETARIAT MIGHT WORK OUT A COMPROMISE AGREEMENT WITH THE OTHER GROUP B COUNTRIES THAT WE MIGHT FIND DIFFICULT TO ACCEPT FOR ECONOMIC REASONS OR REJECT FOR POLITICAL REASONS.

RECOMMENDATION: THAT YOU APPROVE OPTION 1.

APPROVE
DISAPPROVE

END TEXT

FOLLOWING IS "SUGGESTED MODIFICATIONS IN U.S. POSITION ON THE COMMON FUND".

BEGIN TEXT:

FIRST WINDOW - THE GROUP B PROPOSAL CALLS FOR THE ESTABLISHMENT OF A COMMON FUND WHICH WOULD FACILITATE THE FINANCING OF BUFFER STOCKS SIMPLY BY POOLING THE FINANCIAL RESOURCES OF AUTONOMOUS ICAS. WE COULD MAKE
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PAGE 10 STATE 113792

THIS PROPOSAL MORE ATTRACTIVE TO THE G-77 BY AGREEING THAT THE FIRST WINDOW WOULD ALSO RECEIVE LIMITED ASSESSED CONTRIBUTIONS FROM MEMBER STATES OF PARTICIPATING ICAS. THESE DIRECT CONTRIBUTIONS, WHICH WOULD BE LIMITED TO A CERTAIN PERCENTAGE OF THE FUND'S CAPITAL, COULD BE INVESTED IN SECURITIES WHICH WOULD ENHANCE THE VIABILITY OF THE FUND'S CAPITAL STRUCTURE. THE INTEREST FROM THESE SECURITIES COULD BE USED TO HELP COVER ADMINISTRATIVE COSTS (AND THEREBY REDUCE GOVERNMENT CONTRIBUTIONS FOR THIS PURPOSE). THE SECURITIES COULD ALSO SERVE AS A LOSS RESERVE FACILITY TO COVER ANY DEFAULTS IN LOANS TO ICAS. IN ADDITION TO BEING POLITICALLY ADVANTAGEOUS, THIS MODIFICATION IN THE GROUP B PROPOSAL WOULD ALSO ENABLE THE COMMON FUND TO BE MORE ECONOMICALLY SOUND.

SECOND WINDOW - THE GROUP B PROPOSAL PRESENTED AT THE NEGOTIATING CONFERENCE LAST NOVEMBER DID NOT ENVISION A SECOND WINDOW FOR OTHER MEASURES. IT MERELY STATED THAT WE WILL BE PREPARED TO EXAMINE FURTHER WHETHER THERE ARE DEFICIENCIES IN EXISTING INTERNATIONAL ARRANGEMENTS FOR THE SUPPORT OF OTHER MEASURES AND WHAT IMPROVEMENTS, IF ANY, MIGHT BE NEEDED IN THESE ARRANGEMENTS, INCLUDING ANY

POSSIBLE ROLE FOR THE COMMON FUND. TO TAKE THE LEAD ON THIS ISSUE, WE SHOULD BRING OUR POSITION MORE INTO LINE WITH THOSE OF A GROWING NUMBER OF GROUP B COUNTRIES BY EXPRESSING NO OBJECTION TO A SECOND WINDOW IF IT WERE BASED ON VOLUNTARY CONTRIBUTIONS AND WOULD HAVE NO RELATIONSHIP TO THE CAPITAL OF THE FIRST WINDOW. WE WOULD INDICATE, HOWEVER, OUR INABILITY TO MAKE A CONTRIBUTION AT THIS TIME, ALTHOUGH WE WOULD NOT RULE OUT A FUTURE CONTRIBUTION IF THE SECOND WINDOW WAS DOING USEFUL WORK.

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PAGE 11 STATE 113792

WE WOULD ALSO SEEK TO STRICTLY LIMIT THE SCOPE OF THE SECOND WINDOW IN THE COMMON FUND NEGOTIATIONS. WE COULD, FOR EXAMPLE, RESTRICT IT TO PROVIDING "SEED MONEY" FOR CERTAIN TYPES OF PROJECTS AGREED TO BY PRODUCERS AND CONSUMERS OF THE COMMODITY IN QUESTION, WHICH WOULD BE CO-FINANCED AND EXECUTED BY THE RELEVANT ICA OR INSTITUTIONS SUCH AS THE IBRD OR UNDP. BY LIMITING THE SECOND WINDOW TO A CAREFULLY DEFINED AND USEFUL ROLE, WE WOULD MAKE IT MORE LIKELY THAT THE U.S. MIGHT EVENTUALLY BE ABLE TO CONTRIBUTE TO IT, AND THAT THE EXISTENCE OF THIS WINDOW WOULD NOT JEOPARDIZE OUR SUPPORT FOR THE COMMON FUND AS A WHOLE.

VOTING AND MANAGEMENT STRUCTURE - ALTHOUGH LITTLE ATTENTION HAS THUS FAR BEEN DEVOTED TO VOTING AND DECISION-MAKING PROCEDURES, THE GROUP OF 77 HAS STATED THAT THE LDCS SHOULD HAVE A "DECISIVE ROLE" IN MANAGING THE FUND. NEGOTIATIONS ON THESE INSTITUTIONAL ISSUES COULD BE DIFFICULT, SINCE THE LDCS CLEARLY WANT A LARGER VOICE IN THE COMMON FUND -- WHICH THEY REGARD AS A VANGUARD OF THE NEW INTERNATIONAL ECONOMIC ORDER -- THAN THEY ENJOY IN THE BRETTON WOODS INSTITUTIONS. WE MUST THEREFORE ENSURE THAT SATISFACTORY VOTING AND DECISION-MAKING PROCEDURES ARE INCLUDED AS AN INTEGRAL PART OF A COMMON FUND "PACKAGE" WHICH WE WOULD FIND ACCEPTABLE. WE WOULD WANT THE VOTING STRUCTURE TO BE LARGELY WEIGHTED TO PROVIDE AN EQUITABLE BALANCE AMONG THE INTERESTS OF PRODUCERS AND CONSUMERS OF THE COMMODITIES COVERED BY THE COMMON FUND. WE MIGHT ALSO, HOWEVER, MAKE SOME CONCESSION TO THE GROUP OF 77 DESIRE TO DISTRIBUTE A CERTAIN PORTION OF THE VOTES EQUALLY. OUR INTERESTS COULD BE SAFEGUARDED THROUGH A DECISION-MAKING PROCEDURE WHICH REQUIRED THAT IMPORTANT DECISIONS BE TAKEN BY A QUALIFIED MAJORITY OR BY A DISTRIBUTED MAJORITY OF PRODUCERS AND CONSUMERS. END TEXT.

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PAGE 12 STATE 113792

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